

Message Text

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PAGE 01 LISBON 03617 241046Z

11

ACTION EUR-25

INFO OCT-01 AF-10 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-03 INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SP-03 CIEP-03 LAB-06 SIL-01 OMB-01 SWF-02 AGR-20

COA-02 DODE-00 PM-07 H-03 L-03 NSC-07 PA-04 PRS-01

SS-20 USIA-15 SAJ-01 DRC-01 /201 W

----- 049479

R 240742Z AUG 74

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 0338

INFO AMCONSUL LUANDA

AMCONSUL LOURENCO MARQUES

AMCONSUL OPORTO

AMCONSUL PONTA DELGADA

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EO 11652: N/A

TAGS: PINT, PO

SUBJECT/: PORTUGUESE PARTIES AND PRESS RESPOND TO MAJOR
GOP ECONOMIC STATEMENT

REF: LISBON 3590

SUMMARY: PCP, PSP AND PPD HAVE ALL COME OUT IN FAVOR
OF GOP AUSTERITY PLAN. PPD CRITIQUE MOST DETAILED AND
SPECIFIC. PRESS CRITICISM FAVORABLE EXCEPT FOR
COMMENTS ON TIMING, STYLE AND, IN ONE
CASE, ECONOMIC THEORY. FURTHER REACTION EXPECTED END
OF VACATION PERIOD. END SUMMARY.

1. POLITICAL RESPONSE TO SUBSTANCE OF PRIME MINISTER
VASCO GONCALVES' AUGUST 18 ADDRESS TO NATION OUTLINING
GOP PROGRAM FOR WEAK AND UNDERDEVELOPED PORTUGUESE
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PAGE 02 LISBON 03617 241046Z

ECONOMY (REFTEL) HAS BEEN UNANIMOUSLY FAVORABLE. REACTIONS

TO DATE MAY BE SUMMARIZED AS FOLLOWS:

2. PCP SPOKESMAN PRAISED ECONOMIC PLAN AS "COURAGEOUS" AND HAILED PROGRESSIVE SOCIAL MEASURES SUCH AS FISCAL REFORM AND HOUSING CONSTRUCTION AS INSURANCE THAT BRUNT OF AUSTERITY PROGRAM WILL NOT FALL SOLELY ON ALREADY "DISFAVORED CLASSES." SPOKESMAN PREDICTED WORKERS WILL UNDERSTAND NEED FOR MEASURES AND RESPOND FAVORABLY.

3. PSP COMMUNIQUE SALUTES PRIME MINISTER FOR STRAIGHT-FORWARD PRESENTATION OF HARD ECONOMIC FACTS AT TIME WHEN HE COULD HAVE PASSED PROBLEM ON TO POST-ELECTION GOVERNMENT. SOCIALIST STATEMENT THROWS FULL SUPPORT BEHIND ALL GOP AUSTERITY MEASURES AND CITES SACRIFICES AND PRIME GOVERNMENTAL RESPONSIBILITY TO CONTROL DOMINANT ECONOMIC GROUPS AS VITAL ELEMENTS IN PORTUGAL'S "BATTLE FOR DEMOCRACY."

4. PPD STATEMENT HAILS SPEECH AS "AN ACT OF COURAGE" BUT, UNLIKE PSP, CRITICALLY APPRAISES VARIOUS POINTS AND RELATES THEM TO PPD PROGRAM. PPD CITES NEW PRICE LEVELS AS MOST HARMFUL TO SMALL SAVINGSHOLDER WHO HASN'T HAD A CORRESPONDING SALARY INCREASE. PPD SOLUTION IS INSTITUTIONALIZED MECHANISM FOR AUTOMATIC SALARY ADJUSTMENTS. PPD STATEMENT SINGLES OUT ALL MEASURES PROMOTING CIVIL CONSTRUCTION FOR SOCIAL HOUSING AS THE MOST IMPORTANT NATIONAL TASK. UNEMPLOYMENT PEGGED AS SECOND MOST IMPORTANT PROBLEM AND STATEMENT CALLS FOR SYSTEM OF PUBLIC INVESTMENT TO ABSORB AND TRAIN UNEMPLOYED LABOR AS PART OF HOUSING PROGRAM. IN ADDITION, PPD, COMMENDS GOP EFFORT TO REDUCE WIDE INCOME DISPARITY AND CITES POINT AS PART OF PPD PROGRAM. STATEMENT ALSO CALLS PUBLIC EMPLOYEE PAY RAISE "A FIRST STEP, NECESSARILY MODEST," AND ASKS FOR RESTRUCTURING OF AGRICULTURAL SECTOR.

5. AUGUST 19 DIARIO POPULAR EDITORIAL NOTES THAT HAD SAME SPEECH BEEN GIVEN SOON AFTER APRIL 25 COUP, NATION WOULD NOT HAVE LOST TIME IN FACING TRUE DIMENSIONS OF ECONOMIC CRISIS.

6. AUGUST 19 REPUBLICA EDITORIAL PRAISES SPEECH FOR LIMITED OFFICIAL USE

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PAGE 03 LISBON 03617 241046Z

CLARITY AND SHARP CONTRAST TO VAGUE, ROSY PRE-COUP GOP STATEMENTS. AUGUST 20 REPUBLICA ANALYSES RELATIONSHIP BETWEEN SALARIES AND PRICES AND FAULTS PRIME MINISTER FOR NOT EXPLAINING UNIVERSAL NATURE OF SUBSIDIZED "POLITICAL PRICES" WHICH SOAK UP FUNDS WHICH SHOULD BE USED FOR PUBLIC INVESTMENTS.

7. AUGUST 20 DIARIO DE LISBOA EDITORIAL DWELLS ON POINT THAT PRIME MINISTER IS INSUFFICIENTLY PREPARED IMAGE-

WISE AND SHOULD NOT AS A MATTER OF PRINCIPLE GIVE "BAD NEWS"
ON TV. DIARIO DE LISBOA CONCLUDES THAT DELIVERY WAS POOR,
TASK SHOULD HAVE BEEN DELEGATED TO ANOTHER MINISTER
AND THAT NEXT TIME THEY WOULD LIKE TO HEAR "GOOD NEWS"
FROM GONCALVES.

8. COMMENT: ALTHOUGH OVERALL REACTION HAS BEEN HIGHLY
FAVORABLE TO DATE, JOAO SALGUEIRO, VICE GOVERNOR OF THE
BANK OF PORTUGAL TOLD EMBOFF THAT GOVERNMENT EMPLOYEES
UPON RETURNING FROM SUMMER VACATIONS AT END OF
SEPTEMBER ARE GOING TO REALIZE THAT THE APPARENTLY
GENEROUS INCREASES THEY HAVE RECEIVED DO NOT COVER
THE RISE IN PRICES CAUSED BY INFLATION. SALGUEIRO
EXPECTS A LOT OF DISCONTENT ON THE PART OF THE
GOVERNMENT WORKERS.
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